

FAQ for Mayfield Office Building
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Q: Why is HP selling the Mayfield property?

A: Following the merger with Compaq, HP had an oversupply of real estate equal to 20-25% of its portfolio worldwide. The decision to sell the property is in no way a plan to leave the city. We remain committed to Mountain View.

Q: When did HP purchase the old Mayfield Mall property and what work was done to the previously existing buildings after the purchase?

A: HP purchased the property in 1984 and spent three years customizing the previously existing shopping mall to accommodate an office, data center, training center and software lab space. Today, while all of the buildings are well maintained and safe, they are considered very old by office industry standards.

Q: Has HP made an effort to identify a buyer for the site who would reuse the existing buildings?

A: Yes, when HP offered the site for sale in late 2002, every effort was made to identify a potential buyer that would reuse the existing buildings for office use. The property was shown to numerous interested parties and several bids for the site were made; only one of which, however, proposed reusing the existing buildings for office use, while the remainder of the proposals came from residential developers.

Q: What happened to the proposal from the buyer interested in reusing the existing buildings?

A: Initially, HP entered into an agreement with Stanford Medical Center to reuse the existing buildings for medical offices. However, medical center use of the buildings would have required substantial upgrades and precise plan amendments from the city. Due to the costs involved in the upgrade and the time needed for precise plan amendments, Stanford Medical Center subsequently withdrew its proposal for the site and HP put the property back on the market.

Q: What led HP to pursue a residential developer for the property?

A: Despite HP's extensive efforts to identify a buyer for the Mayfield site who would utilize the site as office space, no such party has stepped forward. With the exception of the bid from the Stanford Medical Center that was discussed above, all of the bids that HP has received have been from residential developers. In addition, on October 28, 2003, the City of Mountain View conducted a public Study Session aimed at providing direction on the various potential uses for the Mayfield site. At this meeting, the majority of council members expressed a desire for residential or a combination of residential and commercial uses (known as "mixed use"). Furthermore, on June 8, 2004, the City Council authorized the processing of a residential/commercial development application for the site.

Q: Do the buildings and parking structure require any construction work?

A: If the building is utilized as office space by a tenant similar to HP, then no major upgrades are required. However, if the new tenant is a different type of user, such as medical company, hospital, conference center, educational institution, or training center, then property would have to be retrofitted to comply with the current city planning ordinances. The estimated cost for such zoning changes, permitting, seismic upgrades, and other building renovations start at approximately \$20 million.

Q: In addition to meeting current planning codes, are there other things that negatively affect its value as an office building?

A: Yes. When HP marketed the building to other technology users, factors which prevented firms from pursuing the property included:

- Location: It is not near any other technology or office uses, or any supportive uses such as law firms, fabrication plants, or other business centers.
- Physical layout: The property is not designed to accommodate multiple tenants. All parts of the building are connected on the interior – just like a shopping mall. So keeping certain areas “secure” or separated for security reasons is difficult.
- Size: The building is over 500,000 SF. (To give you a visual idea of how big this is, it is larger than the HP Pavilion.) Unfortunately, there are only a handful of companies looking to occupy that much space in one location.
- Age: The buildings were all built in 1967 and by today’s standards for office space are considered “obsolete.” Most commercial buildings such as office buildings and retail stores are considered “obsolete” at approximately 50 years (the age at which buildings become known as “historic”) because their space utilization, ventilation and plumbing systems, power consumption, and IT connections are inefficient and extremely expensive to maintain.

Q: Could the building be shared by "multiple users"? For instance, could one company lease out the ground floor and a second company lease out the second floor?

A: Yes, but due to the existing floor plan; this would require substantial interior renovations (called “tenant improvements”). To meet the privacy, safety and security needs of multiple users, each office suite would require renovations to provide appropriate accessibility to private bathrooms, break rooms, fire sprinklers, direct outdoor access, and security systems. Depending on the number of multiple users, these costs could range from \$15 million to \$25 million.

Q: How does this office building compare with other office buildings nearby?

A: Unfortunately, it compares poorly. The closest office buildings of comparable size (500,000 sqft.) are found in Shoreline or Stanford Research Park. These newer buildings were built over the last 10-20 years and have numerous amenities available onsite for their tenants. In addition, there is an over abundance of newer office space available in Silicon Valley thus anyone seeking office space has multiple options without having to invest in an expensive retrofit.